

Message Text

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SUBJECT: US FIRMS WITHDRAW FROM GREEK MINERAL INVESTMENTS

REF: A) 75 ATHENS A-33, B) ATHENS 2801, C) 75 ATHENS 9121

1. CERRO CORPORATION'S LOCAL LEGAL REPRESENTATIVE HAS CONFIRMED TO THE EMBASSY THAT CERRO'S 1970 \$15.3 MILLION INVESTMENT AGREEMENT WITH THE SEMI-GOVERNMENTAL HELLENIC INDUSTRIAL DEVELOPMENT BANK (ETVA) TO DEVELOP THE ZINDANI ASBESTOS MINE HAS BEEN AMICABLY DISSOLVED (SEE REF A FOR PROJECT BACKGROUND). THE CERRO AGREEMENT WAS INCLUDED AMONG THOSE JUNTA-APPROVED INVESTMENT CONTRACTS TO BE REVIEWED BY THE GREEK GOVERNMENT ON THE BASIS OF LAW 141/75 AND LAW 207/75 (SEE REF C). CERRO REP INDICATED THAT COMPANY HAD BEEN PROMISED LAST YEAR MAJORITY (51:5) PARTICIPATION IN THE INVESTMENT BY COORDINATION MINISTER PAPALIGOURAS, BUT DURING MORE RECENT DISCUSSIONS THIS POSSIBILITY WAS RULED OUT. HE STATED THAT PRIMARY REASONS FOR CERRO QUITDRAWAL INCLUDED LIMITATION TO MINORITY ROLE AND BUREAUCRATIC

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PROBLEMS CONSTANTLY ENCOUNTERED, INCLUDING FREQUENT

CHANGES IN GOVERNMENT DEMANDS. (WE HAVE HEARD FROM OTHER SOURCES THAT DURING THE LONG GESTATION PERIOD CERRO'S INTEREST IN ASBESTOS HAD ALSO WANTED, IN PART DUE TO INTERNAL CORPORATE/ANAGEMENT CHANGES.)

2. THE DECISION TO TERMINATE THE AGREEMENT WAS TAKEN DURING DISCUSSIONS EARLIER THIS MONTH AT THE COORDINATION MINISTRY. THE DISSOLUTION AGREEMENT PROVIDES THAT CERRO WILL RECEIVE AN INDEMNITY OF \$1.7 MILLION IN FOREIGN EXCHANGE, AND 5 MILLION DRADHMAS. COORDINATION MINISTER PAPALIGOURAS MUST NOW PRESENT THE DISSOLUTION AGREEMENT FOR FORMAL APPROVAL BY THE ECONOMIC COUNCIL OF MINISTERS.

3. BOARD DIRECTOR OF BAUXITES PARNASSE MINING CO., PARIS KYRIAKOPOULOS, HAS INFORMED THE EMBASSY ON A CONFIDENTIAL BASIS THAT THE US FIRM SOUTHWIRE HAS DECIDED NOT TO PARTICIPATE IN BAUXITES PARNESSE'S PLANNED \$200 MILLION ALUMINA PROJECT (SEE REF B). SOUTHWIRE HAD SOUGHT ALTERATIONS TO THE ORIGINAL INVESTMENT PLAN, SPECIFICALLY 50 PERCENT (INSTEAD OF 49 PERCENT) PARTICIPATION IN THE CORPORATION TO CARRY OUT THE ALUMINA PROJECT, AND CONCESSIONS IN THE BAUXITES PARNASSE BAUXITE MINES. BAUXITES PARNASSE DID NOT FIND THESE TERMS ACCEPTABLE AND THE PROPOSED PARTNERSHIP HAS FALLEN THROUGH. THE SECOND US PARTNER INVOLVED IN THE PROJECT, NATIONAL STEEL, HAD WITHDRAWN EARLIER. CHASE MANHATTAN BANK IS STILL ACTIVELY INVOLVED IN PROMOTING THE PROJECT. KYRIAKOPOULOS STATED THAT BAUXITES PARNASS DEEPLY REGRETTED DECISIONS OF NATIONAL STEEL AND SOUTHWIRE, AND THAT US PARTNERS WOULD STILL BE PREFERRED IN THE PROJECT, WHICH WILL DEFINITELY MOVE FORWARD, EVEN WITHOUT FOREIGN PARTICIPATION.

4. COMMENT: ALTHOUGH MANY FACTORS WERE UNDOUBTEDLY INVOLVED IN THE DECISIONS OF THE US FIRMS TO WITHDRAW FROM THESE PROJECTS, THESE CASES NEVERTHELESS SEEM TO US SYMPTOMATIC OF CURRENT PROBLEMS INVOLVED IN MAJOR FOREIGN INVESTMENTS IN GREECE. LONG BUREAUCRATIC DELAYS, LACK OF CLEAR GOVERNMENTAL DECISIONS ON CONSISTENT LIMITED OFFICIAL USE

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GUIDELINES, INSISTENCE ON GREEK MAJORITY CONTROL--THESE ARE UNFORTUANELY A NOT INFREQUENT CAUSE OF INVESTOR DISCOURAGEMENT AND DISENCHANTMENT. THE RECENT PROBLEMS OF THE ASPROPYRGOS ETHYLENE PROJECT (SEE ATHENS 3444) ALSO SUGGESTS THAT THE NEWLY ESTABLISHED HIMIC/BANK CONSORTIUM MAY, CONTRARY TO ITS PROFESSED INTENTIONS, NOT BE AN UNQUALIFIED BLESSING FOR THE PRIVATE INVESTMENT SECTOR. INTERESTINGLY, THE CERRO REPRESENTATIVE

TOLD THE EMBASSY THAT GOVERNMENT OFFICIALS HAD ADVISED CERRO TO WORK WITH HIMIC ON THE PROJECT, BUT ETVA--WHICH IS A MEMBER OF THE HIMIC CONSORTIUM AND THE OWNER OF THE MINES--WAS AGAINST THIS IDEA.

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